



Higher Education and Employment Advancement Committee

Public Hearing

February 27, 2014

Written Testimony

Submitted By

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Thank you for allowing me to submit written testimony on Raised bill 5241, *An Act Requiring a study of a Pay-it-Forward College Payment Plan* and for your continued support of the University of Connecticut.

The “Pay it Forward, Pay it Back” model has some very interesting features along with significant hurdles and definitely warrants the further study called for in the legislation before being implemented. Conceptually, “Pay It Forward, Pay It Back” is an income-based funding mechanism for higher education tuition (based on the Oregon model). This model offers “debt-free” higher education in exchange for taxing graduates and former students a percentage of their income for 20 to 25 years. As you may be aware, the Oregon legislature has unanimously approved a bill, which directs the state to create a pilot program by 2015 – at which time the idea would be formally considered by the legislature.

While the University supports all efforts to make college affordable and accessible to students of all economic backgrounds, we did want to share with the Committee a few concerns about the “Pay It Forward” concept:

- In order for the program to become self-sufficient, the up-front initial state investment would have to be significant. By all accounts, the Oregon Program would require a \$9 billion initial investment and the program will not be self-financing for 25 years. Keep in mind, revenues would have to match (or exceed) the costs (plus interest), while revenues would trickle in slowly over the course of the 25-year repayment term.
- Such a program may drive the brightest and most ambitious students away from state schools out of fear that they would see a portion of their income taken away by the state for more than two decades. Students who choose more technical STEM fields could do some calculations and realize that traditional loans will be the lowest-cost option. This will distort the population of program participants in favor of lower-earning fields.
- Students would get “free” tuition up front; however, all costs may not be taken into account. The Oregon plan (though not finalized) covers tuition, but not the other expenses (room, board, books,

and fees). Students will be required to pay for these expenses, too. Therefore, current financial aid programs will need to be maintained at both the state and individual institutions.

- Long term viability is in question for graduates living outside the state. It would be difficult to collect the income from graduates living outside of the state thereby jeopardizing the long term viability of the program. The state only has taxing power within its borders, which means that students who leave the state may get away with not paying. There are possible ways for the state to either get the federal government to assist or to hire collection agencies to track down offenders. These options seem to be cost prohibitive and burdensome.

We appreciate the opportunity to share our concerns. Please do not hesitate to contact me if you have questions or require additional information.

Again, thank you for your continued support of UConn.